

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

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| <b>IN RE:</b><br><br><b>PRIMROSE LA SARA, LLC</b><br><br><b>DEBTOR.</b> | §<br>§<br>§<br>§<br>§<br>§<br>§ | <b>CASE NO. 16-30822-DRJ</b><br><b>CHAPTER 7</b> |
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| <b>IN RE:</b><br><br><b>LA SARA OPERATING COMPANY,<br/>LLC</b><br><br><b>DEBTOR.</b> | §<br>§<br>§<br>§<br>§<br>§<br>§<br>§<br>§ | <b>CASE NO. 16-30453-DRJ</b><br><b>CHAPTER 7</b> |
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**AMENDED STIPULATION AND AGREED ORDER**

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This stipulation and agreed order (the “*Stipulation and Order*”)<sup>1</sup> is entered into by and between: Eva Engelhart (the “*Trustee*”), the Chapter 7 trustee for Primrose La Sara, LLC (“*Primrose*”) and La Sara Operating Company, LLC, the Mineral Owners (as defined in the Objection), La Sara Ventures 1, LLC (“*LSVI*”), Primrose Petroleum, LLC (“*Petroleum*”), MK Operating Company LLC (“*MK Operating*”), BLAKEnergy Ltd. (“*Blake*”), and Tennyson Energy Investment, LLC (collectively, the “*Parties*”), by and through their respective undersigned counsel or representatives.

**WHEREAS**, the Mineral Owners are parties to the Roadrunner Lease and the Crane Mallard Lease (collectively, the “*Leases*”) covering approximately 6,000 acres in Willacy County, Texas.

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<sup>1</sup> Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the *Mineral Owner’s Objection to Trustee’s Expedited Motion for Authority to Sell Property Free and Clear of Liens and Claims and for Other Relief* [Docket No. 117] (the “*Objection*”).

**WHEREAS**, the current working interest owners of record in the Leases are LSV1 (37%), Primrose (34.5%), Blake (15%), and Petroleum (13.5%) (collectively, the “*Lessee*”);

**WHEREAS**, the current operator of record of the Leases is MK Operating;

**WHEREAS**, the Leases contain identical provisions regarding “continuous drilling obligations” (*see* Paragraph VII(a) of the Crane Mallard Lease and Paragraph V(a) of the Roadrunner Lease);

**WHEREAS**, the Lessee contends that the continuous drilling obligations under the Leases have been satisfied by the activities performed by the Lessees on the leased property to date;

**WHEREAS**, the Leases contain “banked time” provisions for extending the time to drill the next well in order to be engaged in continuous drilling; and

**WHEREAS**, on September 16, 2016, the Mineral Owners filed Proof of Claim Nos. 15-18 in Case No. 16-30822, stating as follows:

that the [Mineral Owners] do not have sufficient facts to determine whether the Leases have been maintained by continuous drilling operations. Substantial issues may exist whether prior operations claimed by Primrose to constitute continuous drilling operations were commenced within the time required by the Leases and whether such operations constitute “continuous drilling operations” as defined by the Leases. Claimants do not at this time contest Primrose’s or MK Operating’s allegations with respect to the status of the Leases, nor do Claimants concur with those allegations. Claimants reserve the right in the future, based on facts to be determined, to contend that either or both of the Leases have terminated (except as to producing wells) by cessation of continuous drilling operations;

**WHEREAS**, on November 7, 2016, the Mineral Owners filed the Objection, which repudiated the Leases as to those portions of each oil and gas lease not allocated on an acreage basis to producing oil and gas wells as provided in Paragraph VII of the Crane Mallard Lease and in Paragraph V of the Roadrunner Lease; and

**WHEREAS**, the Mineral Owners have agreed to maintain their repudiation for at least 90 calendar days from November 8, 2016.

**NOW THEREFORE**, the Parties stipulate and agree as follows:

1. The Mineral Owners agree not to revoke or rescind their repudiation of the Leases for 90 calendar days from November 8, 2016, ending on February 7, 2017. In the event that on or after February 8, 2017, the Mineral Owners revoke or rescind their repudiation of the Leases, or otherwise reaffirm the Leases, by a signed notice delivered to the Lessee's counsel by email or other form of delivery, then the matter of the Mineral Owners' repudiation shall be deemed to be resolved and the Leases shall continue in full force and effect according to their terms as of the date of such notice, provided that the number of days between November 8 2016 and the date the Mineral Owners revoke or rescind their repudiation or otherwise reaffirm the Leases shall not be counted against the owners of the leasehold estate in the Leases for any purpose, including the calculation of time for drilling operations under the terms of the Leases.

2. Except to the extent provided herein, nothing in this Stipulation and Order shall constitute a waiver of any claim or defenses of any of the Parties.

3. This Stipulation and Order will be binding and effective upon execution by the parties hereto and entry by the Court. This Stipulation and Order may be executed in counterparts by facsimile or other electronic transmission, each of which will be deemed an original, and all of which when taken together will constitute one document.

4. The Court will retain jurisdiction over all matters related to this Stipulation and Order.

5. This Stipulation and Order amends that Stipulation and Order filed and entered at Docket Numbers 127 and 129 respectively in Case No. 16-30822 and Docket Numbers 68 and 71 respectively in Case No. 16-30453.

*[Signature Pages Follow]*

**AGREED TO AND ACCEPTED BY:**

**EVA S. ENGELHART, TRUSTEE**

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**ATTORNEYS FOR MK OPERATING, LLC**

**SO ORDERED:**

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**UNITED STATES BANKRUPTCY JUDGE**